



ANNUAL STOCKHOLDER UPDATE

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MAY 17, 2018

RISK FACTORS REGARDING FORWARD-LOOKING STATEMENTS

This presentation contains "forward-looking" statements within the meaning of Section 21A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the safe harbor created thereby. Forward looking statements include, without limitation, statements regarding our future financial and operating performance, including our guidance for the second quarter of 2018, opportunities for future growth, the size of prospective markets, and our business strategy, plans and objectives. Actual results could differ materially from those projected in our forward-looking statements as a result of a number of risks and uncertainties, including, but not limited to, risks associated with the continued development and growth of markets for Echelon's products; failure to achieve revenue estimates or maintain expense controls; anticipated product performance and value; circumstances that may delay the time frame for achieving our business outlook; our ability to attract and retain talent; the risk of competition that may arise as the market develops or through consolidations in the industry; the timely development of our products and services and the ability of those products and services to perform as designed and meet customer expectations; the deployment and success of the pilot programs and proof of concepts, including the extent to which they result in follow-on orders; the risk that we do not meet expected or required shipment, delivery or acceptance schedules for our products, which could cause us to incur penalties or additional expenses or delay revenue recognition as a result; and other risks identified in the reports we file with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The financial information presented in this release reflects estimates based on information that is available to us at this time. We undertake no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. The condensed consolidated financial statements that follow should be read in conjunction with the notes set forth in our Annual Report on Form 10-K when filed with the Securities and Exchange Commission.

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles, or GAAP, we have provided in this presentation certain measures that have not been prepared in accordance with GAAP. These non-GAAP financial measures consist of (i) non-GAAP net income, which is defined as net income less stock-based compensation expense, adjustments to contingent consideration, restructuring, goodwill impairment, lease termination charges, and income tax effect of reconciling items, and (ii) non-GAAP net income per share, which is defined as non-GAAP net income divided by the fully diluted weighted-average number of shares outstanding.

Use of Non-GAAP Financial Measures

We use these non-GAAP financial measures internally to analyze our financial results and trends, prepare and approve our annual budget, and develop short- and long-term operating plans. We believe these non-GAAP financial measures are useful to investors as an additional tool to evaluate ongoing operating results and trends. However, it is important to note that these non-GAAP financial measures are not based on any standardized methodology and are not necessarily comparable to similar measures used by other companies. In addition, stock-based compensation expense and other excluded items may have a material impact on our reported financial results. As a result, these non-GAAP financial measures should not be considered in isolation or as a substitute for comparable financial information prepared in accordance with GAAP and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. A reconciliation of our non-GAAP financial measures to their most directly comparable GAAP financial measures has been provided in the financial statement tables included in our most recent quarterly press release and investors are encouraged to review the reconciliation.

AGENDA

- ◆ Corporate strategy
- ◆ Lighting update
- ◆ Embedded update
- ◆ Financial progress
- ◆ Summary

CORPORATE STRATEGY

1. Forward integrate into outdoor lighting control solutions for smart cities and smart outdoor enterprises
 - Growing market, limited competition
 - Requires new skill sets and products
2. Invest in the embedded business to help customers 'embrace, extend and enhance' their existing installations
 - Modernized edge server
3. Manage cash carefully, grow and become profitable
 - Invest prudently in the strategy

RECENT PROGRESS -- LIGHTING

- ◆ Hired networking-centric sales team for lighting
 - Americas focus
 - Direct touch sales model using existing lighting channel
- ◆ Began shipping a top-to-bottom revamp of our lighting solution
 - Central Management System (CMS), Edge Server, controllers
- ◆ More projects underway simultaneously today than at any time in the past
- ◆ More sales activities than at any time in the past
- ◆ Projects are more complex to deploy than we had expected
 - RF survey tools
 - Project management/channel support
 - System resiliency in the face of interference, etc

LIGHTING GROWTH NOT CONSTRAINED BY MARKET OPPORTUNITY

- ◆ Global market spending expected to more than double by 2022, and triple by 2024
- ◆ Smart streetlights projected to reach 29% of global streetlight market, and 44% in North America by 2027
- ◆ Benefits include: Energy savings, maintenance efficiencies, safety enhancements, critical data collection



LAST 12 MONTHS: REVAMPED LIGHTING SOLUTION

Three new platform releases

New End Controller Nodes



Smart phone configuration utility



RF communication utility

New Edge Server Lighting gateway



Towards Smarter Cities

New Central Management System



From managing streetlights

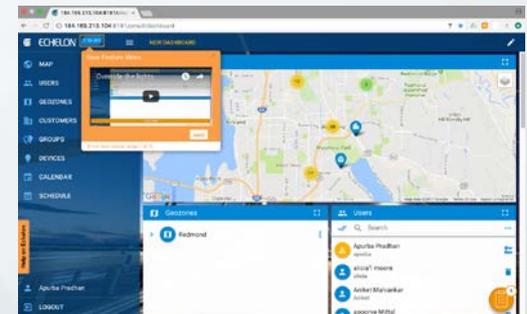
Streetlight management, big data & application management



To managing smart cities

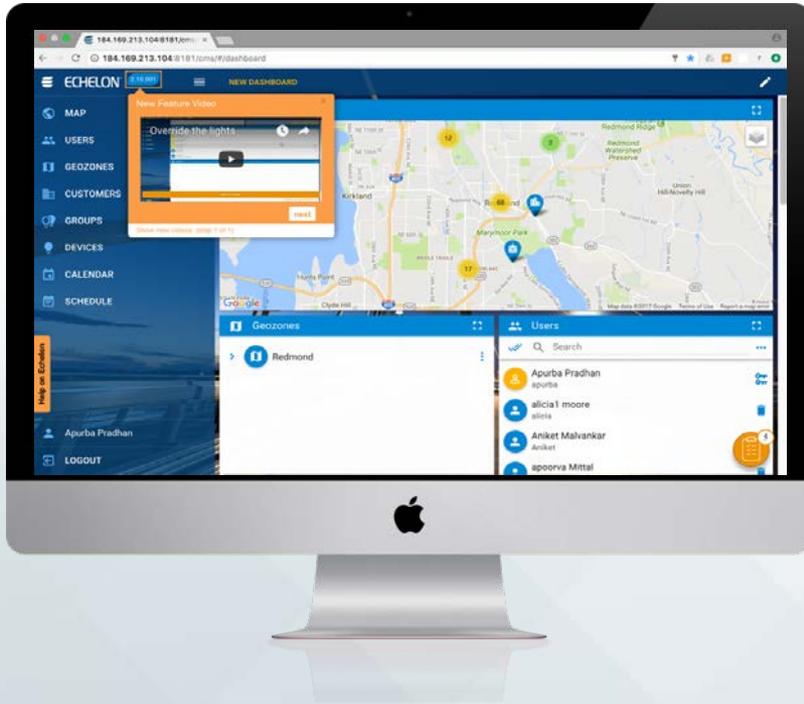
8 patents filed
1 patent granted

- Deployment and planning tools
- Scheduling
- Alarming
- Data collection and aggregation



LUMINSIGHT CMS

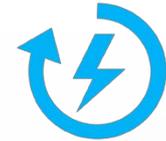
DEVICE MANAGEMENT SOFTWARE FOR EMBEDDED AND LIGHTING



Moving 'up the stack' into applications software



Multi-site Asset Management



Energy Management



Data and Analytics



Monitoring and Alarms

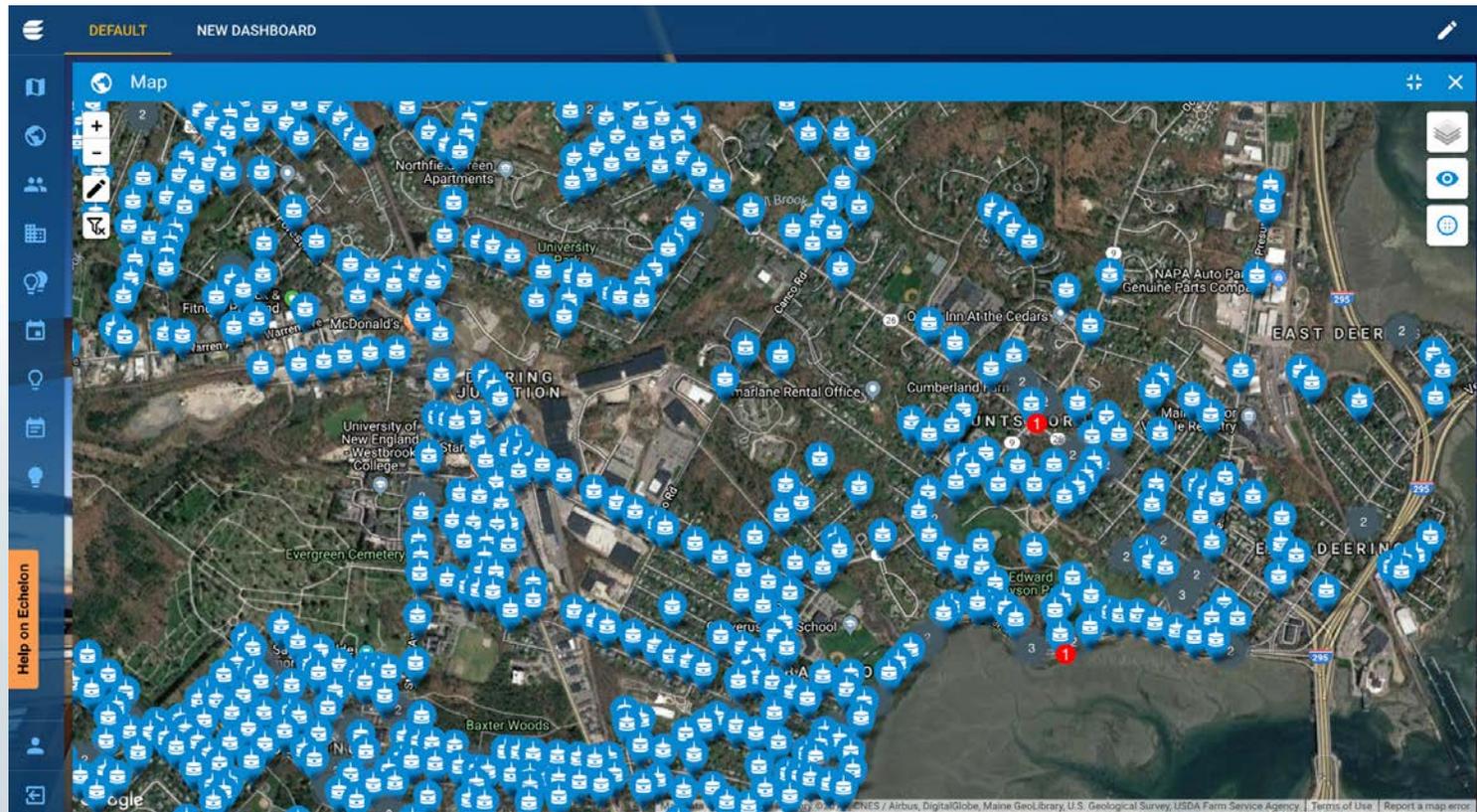


Customizable Reports



System APIs

LUMINSIGHT CMS IN CITY WIDE DEPLOYMENTS



Like networking a large company spread over a whole City!

FOUR SIMULTANEOUS CITY-WIDE DEPLOYMENTS UNDERWAY IN U.S.

City	Sq miles	Population	General Location	Status
City 1	69	67K	Northeast	Deploying
City 2	30	42K	Northeast	Deploying
City 3	38	128K	SoCal	Deploying
City 4	23	153K	NoCal	Deploying

Complex projects requiring close coordination of multiple resources: reliably covering 69 sq mi with wireless connectivity is hard...

RECENT PROGRESS -- EMBEDDED

- ◆ Marketing Embrace, Extend, Enhance (E³) strategy
 - Help customers leverage existing infrastructure with new technologies and tools
 - Better business outcomes
- ◆ Supporting design wins that reflect E³
- ◆ Announced new Edge Server – SmartServer IoT
 - Complete revamp of long-running Smart Server product line
 - Linux-based for ease of programming and leverage of open source software
 - Multiple protocols
 - Lots of Input/Output options
 - Message-bus architecture
 - Embedded management system

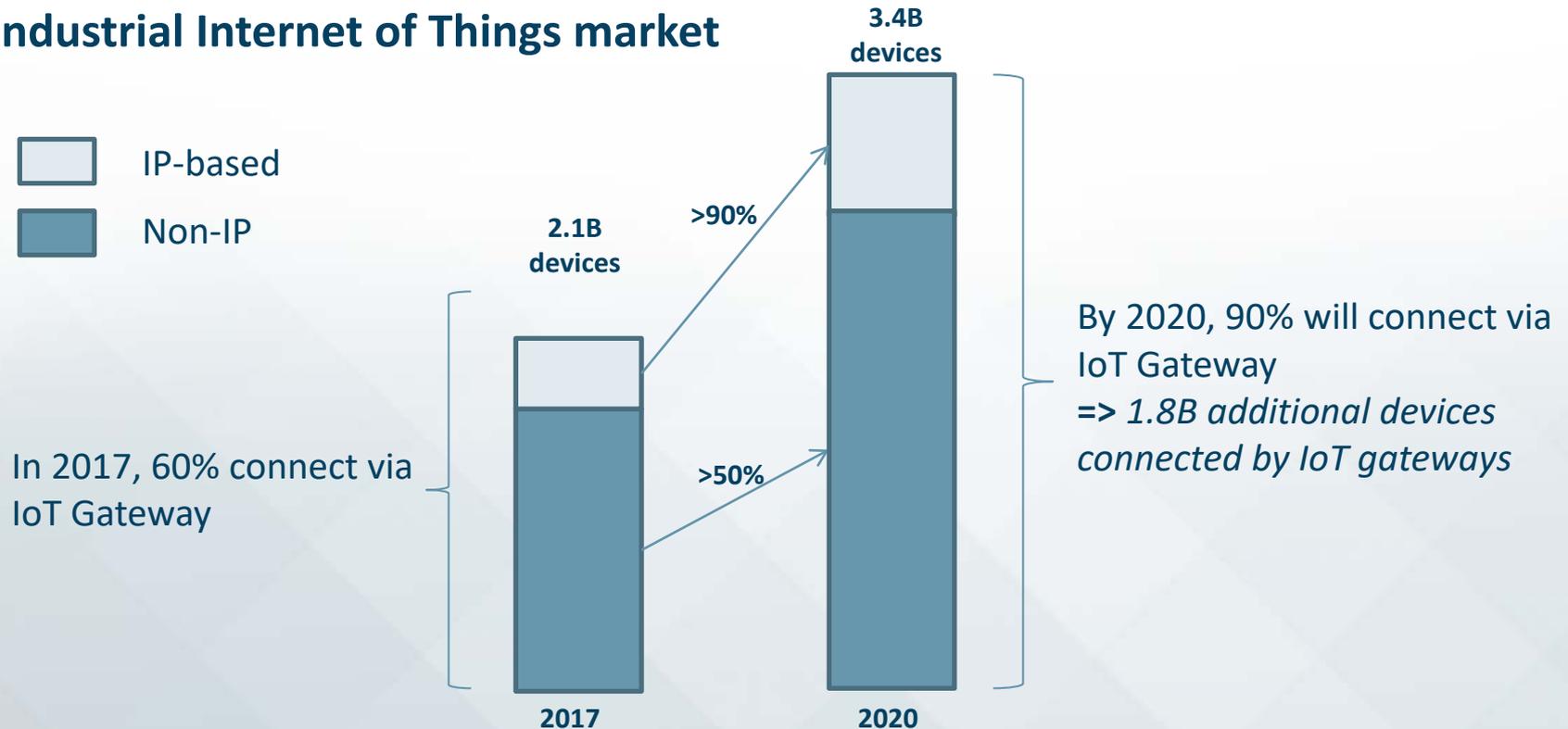
7 OF 10 TOP EMBEDDED CUSTOMERS GREW IN 2017 – WE BELIEVE DRIVEN BY E³

Customer	2017 Revenue	YoY %
Customer 1	\$ 2,338	14%
Customer 2	\$ 2,337	53%
Customer 3	\$ 1,518	25%
Customer 4	\$ 1,203	-6%
Customer 5	\$ 1,054	-49%
Customer 6	\$ 721	90%
Customer 7	\$ 641	41%
Customer 8	\$ 616	158%
Customer 9	\$ 516	-37%
Customer 10	\$ 488	29%

- ◆ Top 10 Customers aggregately grew 10%
 - 7 of 10 had double digit growth
- ◆ Greater than 1,000 active customers

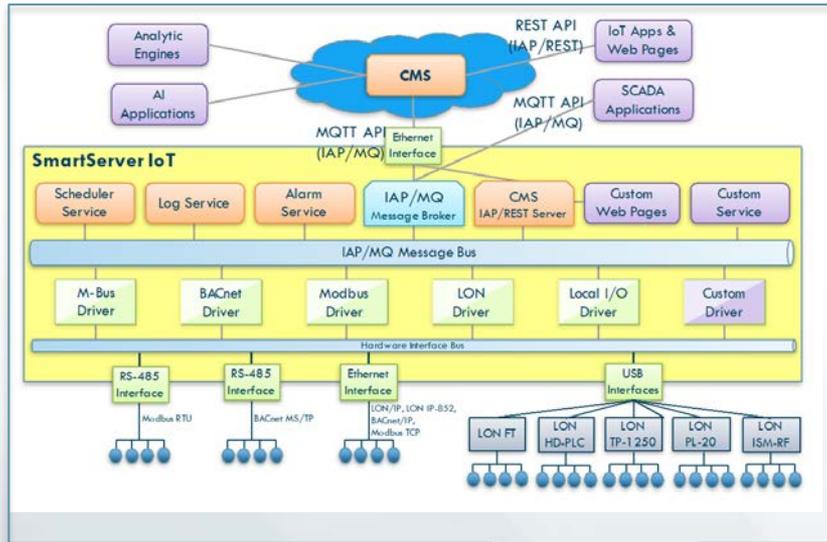
INSTALLED BASE OF CONTROL SYSTEMS DRIVES DEMAND FOR EDGE SERVER GATEWAYS

Industrial Internet of Things market



1. Device and IP data from 2017 IHS Industrial IoT Segment data, including building automation, commercial transportation, retail systems, industrial automation, lighting, power & energy, security, signage, construction equipment, fueling, professional entertainment equipment, broadcasting
2. Gateway data from Gartner – 16 June 2017, Explore the Roles of IoT Gateways in Five Edge Use Cases

SMARTSERVER IOT: POWERFUL, RICH, MODULAR EDGE SERVER SUPPORTING E³



Traditional control technologies



Emerging control technologies



Cloud-based Analytics



E^3: LARGE LIGHT RAIL SYSTEM SECURITY UPGRADE

Extend

Use vital train data to coordinate video network, send data to cloud application

Security and Operational Analytics (Cloud)



Enhance

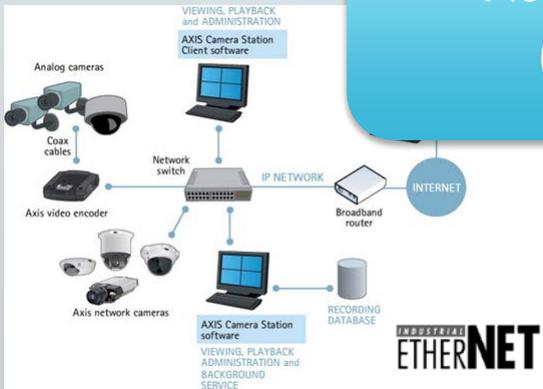
Security, operational efficiency, and rider experience

SMARTSERVER

IOT

Video Surveillance Network (IT)

Train Control System (OT)



Embrace

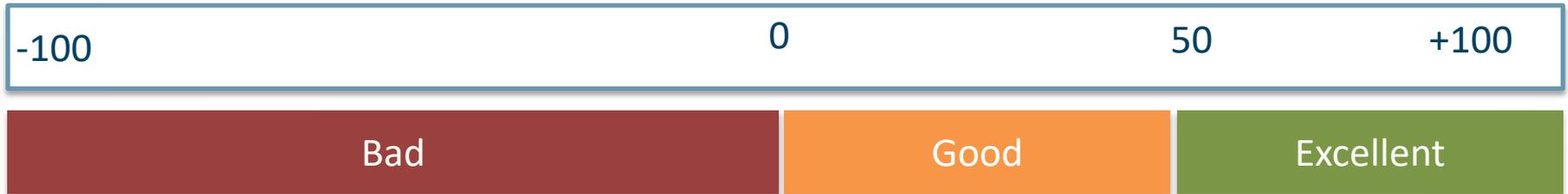
Connect to existing data from train controls and monitoring system



OTHER PROGRESS

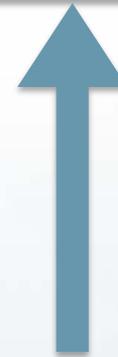
- Adding professional services capabilities to support both lighting and embedded solutions
- Focusing on baselining and improving our Net Promoter Score

ECHELON NET PROMOTER SCORE (NPS)



Echelon's NPS - March 2018

+34



NPS: Widely used measure of brand loyalty on the Web

Cisco	38
T-Mobile	35
Microsoft	34
Echelon	34
Philips	33
Toyota	33

FINANCIAL HIGHLIGHTS

- ◆ Embedded product line revenue grew >5% in Q1 2018 vs. Q1 2017
- ◆ Non-GAAP Gross Margins maintained in the 56% to 57% range
- ◆ Average non-GAAP quarterly Operating Expenses reduced by 24% in last two years; from \$6.8K/Q in 2015 to \$5.1M/Q in 2017
- ◆ FY '17 non-GAAP Operating Loss lowest in 5 years
- ◆ Average quarterly cash burn reduced by 85% in last two years; from \$4.4M/Q in 2015 to \$640K/Q in 2017

SUMMARY

- ◆ Outdoor lighting solutions targeting a growing market with a revamped product line
 - Dealing with challenges of large-scale deployments through a developing channel
- ◆ Embedded systems showing growth with Embrace, Extend and Enhance strategy
 - New SmartServer IoT receiving good early customer reception
- ◆ Managing margins, OPEX while positioning for growth